

THE FINANCIAL SITUATION.

Reference to a stock market which was so stagnant as that of last week in this city is almost needless. There was hardly one security whose fluctuations during the six days were not tantamount to a financial event. It is stated on trustworthy authority that the recent increase of the New York Central's capital issue was in considerable part for the purchase from the Lake Shore Railroad Company and various private individuals identified with Vanderbilt interests of a majority of the stock of the Cleveland, Cincinnati and St. Louis Railroad, commonly known as the "Big Four," at about \$90 a share; but as official details concerning the transaction may be deferred, comment on the matter is still lacking, comment on the Metropolitan Street Railway shares were active and strong on rumors which seemed to have good foundation that the company is about to raise money for the purpose of equipping its remaining horse-car lines with electric power and further improving its property in a way which will afford substantial "rights" to its shareholders. The bond market during the week was firm. There is no lack of money awaiting investment; of that there cannot be the slightest manner of doubt. Good railroad bonds that yield 4 per cent. may be said to be in active demand; nor does there seem to be any reason why securities of this class should not be freely bought by anyone at this time, whatever convictions may be entertained as to the future of the general stock market.

Indeed, the discrimination which is being exercised by the investing public just now between stocks and bonds is one of the most notable features of the present situation. The belief is generally entertained, or at least is very frequently expressed, that either bonds are too low or stocks are too high. Yet there are certain guaranteed securities which are in some respect comparable to bonds, being unobtainable and practically without expiry. And there are many stocks of corporations whose management has been singularly wise and conservative, selling at prices that cannot be said to be "over-boomed," and other stocks still which possess certain peculiar and obvious advantages. The best illustration of the last-named class is perhaps the coal stocks. Here are railroad properties which are exposed to the hazards of litigation or to the hazards of crop failures. The enormous demand for coal is apparent to everyone, and there is no sign of its slackening. The rival tariffs, secret rebates and foolish trade wars of other days have ceased, and the useless sales agents, with their burdensome exactions, have had their activities limited. The present powers that be in this great industry came to the conclusion, with their usual sagacity, that an improvement on the original idea of a central coal-selling bureau would be the plan of selling direct to the wholesale trade under a rigidly enforced contract that coal should not be sold by the trade at more than a certain figure. The wholesalers might resell it at less than the prices agreed upon, if they wanted to, but if they asked more than that figure or attempted any of the old-fashioned extortionate tactics upon consumers, their supply of coal would be shut off. The result has been, of course, a lack of public grumbling and good profits all around. So the Southern Railway and Southern Pacific stocks are well spoken of by those whose financial judgment is entitled to weight. The advance in both of them has been slow and, to a very great extent, non-speculative. Southern Railway preferred will be put upon a 5 per cent. dividend basis in the spring. The fact is practically assured. The huge sums of money being spent in betterments upon the Southern Pacific system must, without reference to the development of the territory in which the system is located and the great earnings at present being recorded by the property, bring rewards to stockholders within a twelvemonth. No doubt, all these stocks will decline in case of a market break, but they will not drop as the others will, and they will rally much more rapidly than many others.

If the great adverse factor affecting the general list of stocks is the apathy, caution and actual timidity of the public and the fear that many issues are held at too high prices, considering the level attained by bond securities upon the same property whose list is much nearer and whose yield is only a little less than that of the available factors are the substantial prosperity of the country, the remarkable prolongation of large railroad earnings, and the great sums being levied by the railroad companies in improvements and equipments. The new business generated in the land by these railroad expenditures alone amounts away into the hundreds of millions of dollars. Of course, the money for this purpose must be raised, in great measure, by new bond or stock issues which, in one way or another, tend to depress the price of outstanding bonds or stocks. But the proceeds of the fresh issues will be spent upon the railway properties and the roads will get the benefit of them some time. So the gratifying, and it must be frankly admitted, the surprising fact about railroad earnings is that, in spite of the impaired crop and the diminished grain deliveries, they keep up in such quantities that it is an evidence that the general business of the country is great and prosperous, and it is a force which must tend to the best of it. It will be recalled that it was not until December, 1900, that such a steady increase began to show its increase over the corresponding months in the previous year and that earnings rose more than the increase of 1900 and 1901 is an exceedingly good thing. Even if there were no increase and no large, and even if the railway earnings of the present year, as a whole, should prove no better than those of the year just gone, such a steady increase will insure, simply the maintenance of railway earnings, and, even in the case of those roads which are seriously embarrassed and loaded down with obligations incurred in the earlier part of their history, such a steady increase of earnings will insure, simply the maintenance of their credit.

Automatically the matter of the Northern Securities Company is of profound importance to the railway world and the stock market. It is a force which must tend to the best of it. It will be recalled that it was not until December, 1900, that such a steady increase began to show its increase over the corresponding months in the previous year and that earnings rose more than the increase of 1900 and 1901 is an exceedingly good thing. Even if there were no increase and no large, and even if the railway earnings of the present year, as a whole, should prove no better than those of the year just gone, such a steady increase will insure, simply the maintenance of railway earnings, and, even in the case of those roads which are seriously embarrassed and loaded down with obligations incurred in the earlier part of their history, such a steady increase of earnings will insure, simply the maintenance of their credit.

may decide favorably to the Northern Securities Company, it may still leave unsettled the question of the right of the Union Pacific Railroad to be interested in the affair or to retain its much desired hold upon the Burlington property. At all events, it is highly probable that before these matters are finally wound up the different stocks directly or indirectly affected by it will be those of the general profitable or unprofitable condition of business in the country.

Of those influences the most important will be those of the crops. If we have good crops this year, it seems reasonable to believe that so far as domestic conditions are concerned general prosperity will not suffer marked abatement. If we have poor crops, the most ardent "bull" must admit that, considering the recent speculation and new issues of stocks and bonds, it will be wise to look out for something more than squalls. The bad results of the failure to the corn crop last year were averted by the presence of surplus funds in the farmers' hands resulting from the profits of previous seasons, and by the use of wheat and other substitutes for corn for feeding purposes. But this has left little live stock and sparsely filled granaries upon the Western farms, and another crop failure, either of wheat or corn, will be a disaster. The first crop to come along is that of winter wheat, and thus far the outlook for this crop is not as favorable as it was last year or as it has been in the last few years. A little while ago it would have been fair to state that the prospect for winter wheat was positively unfavorable, for a drought unbroken since the fall had prevailed over the entire West. Last week, however, there were rains and snows in many sections and the condition of the wheat fields was improved. From now on every speculator and investor of ordinary intelligence will watch for developments from the farming section of the country.

Money is easy abroad, and it looks as though there would be no trouble about money here. But, although the rates for the use of money have steadily lowered since the first of the year, the market does not seem to have stimulated advancing prices; and it must be remembered, further, that bank reserves at this centre are lower than they ever have been before at this season, and that all over the country the accounts of banks and trust companies show an increase in loans entirely disproportionate to the increase in the supply of cash. Anything that would cause a contraction of this credit would be unpleasant, matter that would be decided detrimental to the entire financial situation would be a good, round reduction in the internal revenue taxes; and it is stated that it is the hope of the Republican leaders in Congress to cut off about \$50,000,000 of these taxes by legislation at the present session. But any action of this sort may be modified by the results of Congressional action concerning the Panama Canal purchase and the acquisition of the island of St. Thomas from Denmark. These plans will require an unwarranted national expenditure of between \$40,000,000 and \$50,000,000, a matter which will have an effect in the foreign exchange market as well as in other quarters. If beyond this we have a River and Harbor Appropriation bill, the prospects for a reduction in the war taxes are not over bright. Practically, it cannot be said until the closing days of Congress that a River and Harbor bill shall or shall not pass, for the leaders do not seem to allow their determination in the matter to become known early in the session, and often, indeed, their determination is absolutely overruled. Hence, a general appropriation bill has frequently been enacted carrying a much less or a much larger appropriation than the Treasury needed and resulting in corresponding disturbance to the country's business. What a pity it is that these matters cannot be attended to in our Congress as expeditiously has proved to be wise in the case of all other constitutionally governed nations, by a single budget committee, from which should proceed alike all bills relating to the annual expenditures of the Government and to the sums of money raised by taxation therefor! PHILIP KING.

FINANCIAL AND COMMERCIAL.

UNITED STATES AND STATE BONDS (IN 1000s)				
Date	Name	Open	High	Low
2000 U. S. 4s	108 1/2	108 1/2	108 1/2	108 1/2
2000 U. S. 4s	109	109	109	109
2000 U. S. 4s	107 1/2	107 1/2	107 1/2	107 1/2
2000 U. S. 4s	104	104	104	104
2000 U. S. 4s	104 1/2	104 1/2	104 1/2	104 1/2

RAILROAD AND OTHER BONDS				
Date	Name	Open	High	Low
2000 U. S. 4s	108 1/2	108 1/2	108 1/2	108 1/2
2000 U. S. 4s	109	109	109	109
2000 U. S. 4s	107 1/2	107 1/2	107 1/2	107 1/2
2000 U. S. 4s	104	104	104	104
2000 U. S. 4s	104 1/2	104 1/2	104 1/2	104 1/2

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2000 U. S. 4s	108 1/2	108 1/2	108 1/2	108 1/2
2000 U. S. 4s	109	109	109	109
2000 U. S. 4s	107 1/2	107 1/2	107 1/2	107 1/2
2000 U. S. 4s	104	104	104	104
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2000 U. S. 4s	109	109	109	109
2000 U. S. 4s	107 1/2	107 1/2	107 1/2	107 1/2
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2000 U. S. 4s	107 1/2	107 1/2	107 1/2	107 1/2
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